

CHALLENGE.
CREATE.
COLLABORATE.



Navigating the Israeli business landscape – Export opportunities for Delaware companies

27th October 2021

Elysa Rapoport
Director – Israel, OCO Global
Elysa.rapoport@ocoglobal.com



Agenda



- Intro & Agenda
- Israel Macro View
- Primary Business Drivers
- US–Israel Economic Ties
- Sector Opportunities
- Business Considerations
- Q&A

Latest on CV-19 in Israel



As of 24th Oct:

- 1.32 million cases
- 8,046 fatalities in total
- 1.3 million recoveries in total
- 13,203 active cases (daily infections currently at around 1,000)
- One of the first countries to implement national lockdown in March 2020
- Dec 2020 gov. initiated national vaccination campaign
- 5.8 million fully vaccinated, 62% of population aged 12 and over
- Green pass system in place restricting entrance to most indoor venues to those fully vaccinated
- Booster shots needed after 6 months of second does to obtain green pass
- As of Nov 1st 2021, fully vaccinated foreigners permitted to enter Israel for first time since start of pandemic

Israel Macro View

General Israel Overview



Area	22,072 km ²
Population (Dec 2020)	9.29million
GDP (2020)	\$402 billion
GDP Per Capita (2019) – Israel	\$43,610
– United States	\$63,543
Foreign Currency LT Debt Ratings	A1 (stable outlook)
Inflation Rate (10 year high)	2.5% (Sept. 2021) 1.2% (2019)
Unemployment Rate	7.8 % Aug 2021. 3.5% (prior to Covid-19)
Joined OECD	May 2010

General Israel Overview



49.9%

with tertiary
education (OECD
– 35.7%).



530

MNCs from 35
countries have
R&D centers in
Israel



45%

of Israel's exports
in hi-tech goods
and services



\$414

in venture capital
investments per
capita (#1 globally)



6,600 +

Startup companies

A Global Leader in Technology



#1

In number of hi-tech companies on a per capita basis, second to the US ONLY

#1

In terms of % of scientists & engineers in total population (2× as much as US and Japan)

#1

In investment inflow to start-ups on a per capita basis, far exceeding any other country in the world

#1

In R&D investments, government spends ~4.9% of GDP in R&D (US 2.74%)

#2

Entrepreneurial culture, second to the US ONLY

#2

Among all countries outside the US, in number of NASDAQ listed companies

#2

In number of VC funds, behind the US

#4

Well educated population according to OECD statistics



Primary Business Drivers

Behind the Start-Up Nation



World class academic institutions



The role of the IDF (responsibility, team building)



Immigration from former Soviet Union (“brain gain”)



Impatient, argumentative – question authority & direct (“chutzpah”)



No natural resources – innovation by necessity



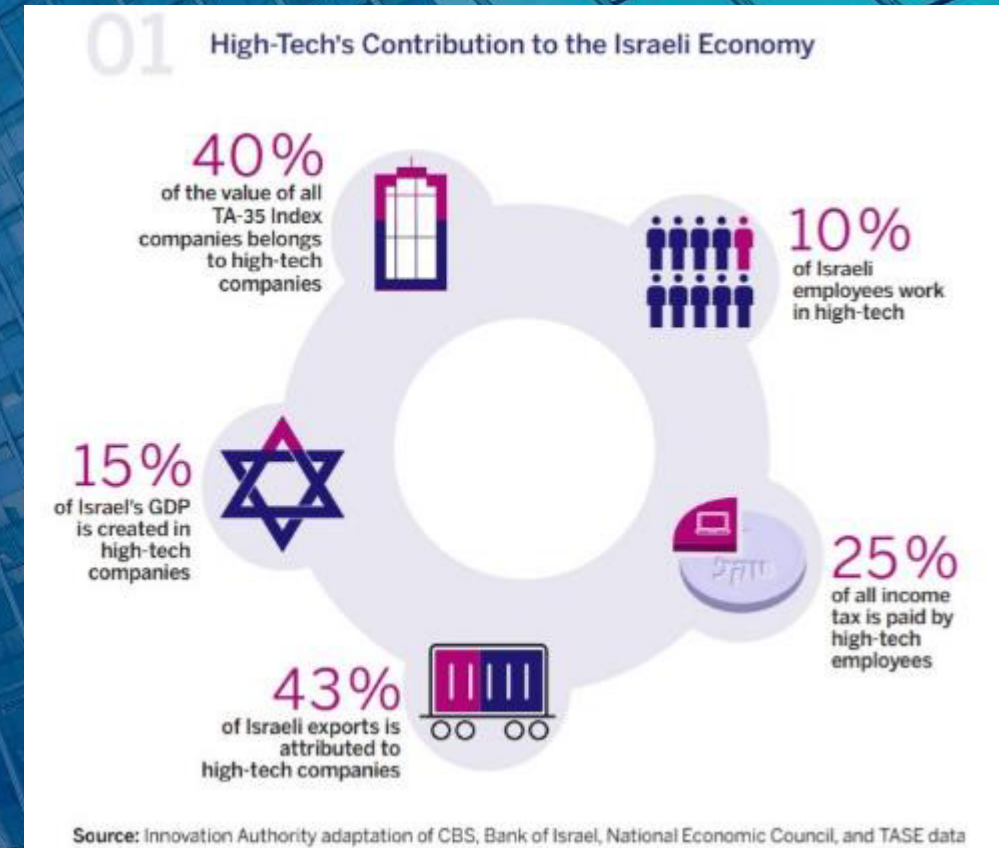
Wise governmental encouragement



Hi-tech Sector in Israel



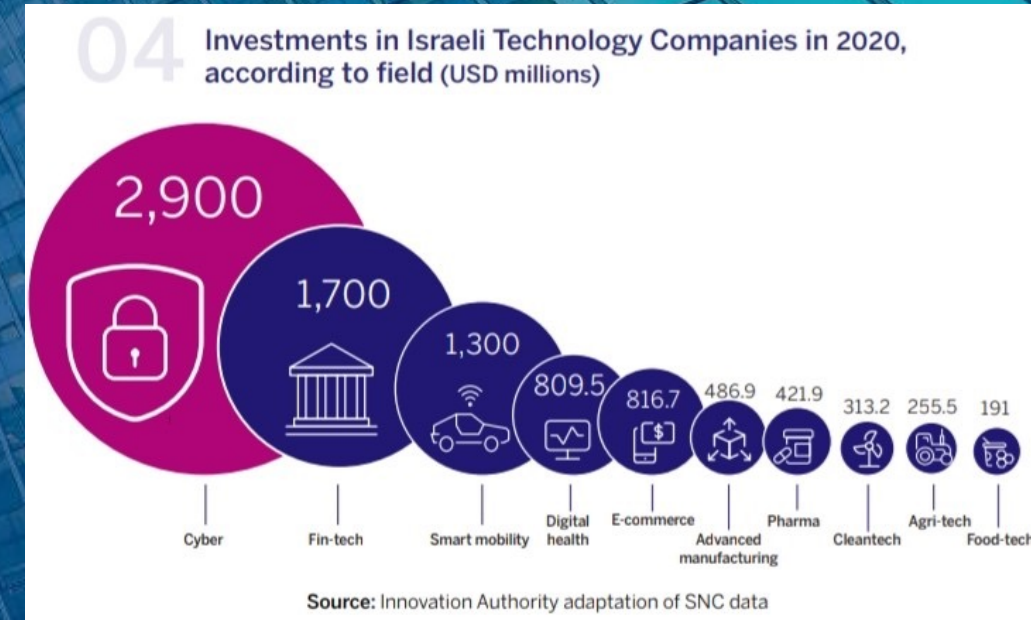
- Israeli **hi-tech successfully** leveraged the **change** brought about by the **Covid crisis**, which contributed to a sharp increase in the use of **digital applications** in all areas of life and even began with an incline in the scope of funding rounds.
- Hi-tech seems to be one of the factors that **mitigated the adverse economic impact of the Covid crisis** on the Israeli economy and **helped the country recover** from the crisis at an accelerated rate.
- The capital raised by Israeli startups **more than quadrupled** within a **decade** and stood at **\$11.5 billion in 2020**, **20% more** than the total raised in 2019, while the **average funding round** for startups **rose by 10%** in 2020 compared to 2019.
- Most of the growth in investments is in the sums raised by **advanced-stage startups** with some unprecedented sums of hundreds of millions of dollars in each investment round. Within just 5 years, the **number of investments exceeding \$100 million** has grown almost **seven-fold** from 3 such investments in 2015 to 20 in 2020. Furthermore, in Q1 2021 alone, 20 investments exceeding USD 100 million were finalized.



Trends in Israeli Hi-tech Sector



- Hi-tech exits for 2020 saw **far fewer deals** than 2019, only 60 compared with 80, but their **cumulative value rose** 55% to \$15.4 billion, from \$9.9 billion in 2019.
- There was a significant **decrease in mergers and acquisitions**, 93 companies netted \$7.8 billion, compared to 143 M&As raising \$14.24 billion in 2019. As in 2019, **US-based corporations accounted for 90% of all M&As**.
- There were 18 IPOs by Israeli tech companies on local and foreign capital markets in 2020, with a total offering of \$1.6 billion. Israeli public companies' activity on the capital markets was \$6.55 billion in 121 deals compared to \$1.95 billion raised in 68 deals in 2019.
- The computing and software sector continued to lead the exits, with total value of deals reaching \$7.4 billion. Other sectors, which showed significant growth included the Internet and life sciences sectors.
- 2020 was marked by the **comeback of tech companies in the IPO market in the US and Israel**. Several reasons include: low interest rates, a larger monetary base, more government incentives and other capital directed to tech companies, and a psychological shift in the Israeli capital market making investors gravitate more towards tech.



Foreign R&D Operations in Israel



- 530 multinationals from 35 countries innovating in Israel
- An average of 20 new R&D centers established annually
- These R&D centers account for about **50%** of the **business enterprise R&D expenditure**.
- **20%** of R&D centers engage in **manufacturing** activity
- Multinationals that operate R&D centers in Israel **acquired over 100 Israeli companies**. A number of them, such as – Intel, Microsoft, Broadcom, Cisco, IBM and EMC acquired over ten local companies over the span of their operation in Israel.
- This bustling activity feeds off the many of the Israeli innovation ecosystem assets: leading research, skilled personnel, entrepreneurial culture, technological leadership and a well-established ecosystem.

Foreign R&D Operations in Israel

Industry/ Origin	IT, Hardware, Software & Services	Internet & Retail	Semiconductors	Other Industries	Communications	Automotive, Energy, utility & Industrial	Healthcare & Medical	Finance, Banking & Insurance	Electronics
North America									
Europe									
Asia									

Source: Lior Weizman, Deloitte

Israel Innovation Authority (IAI)



- Government sees **innovation** as the **key** for **financial growth** and drives technology sector forward through the IAI
- **IAI** is an **independent publicly funded agency** provide a variety of practical tools and funding platforms aimed at effectively addressing the dynamic and changing needs of the local and international innovation ecosystems.
- This includes **early-stage entrepreneurs**, **mature companies** developing new products or manufacturing processes, **academic groups** seeking to transfer their ideas to the market, **global corporations** interested in collaborating with Israeli technology, Israeli companies seeking **new markets** abroad and **traditional factories** and plants seeking to incorporate innovative and **advanced manufacturing** into their businesses.
- Programs include **R&D grants**, **incubator** and **accelerator** programs
- In addition to the grant programs, which granted **\$718 million in 2020**, the IAI also takes part in the approval of **tax benefits** for entitled companies. **Multinationals** may apply to the programs with their Israeli subsidiaries

US—Israel Economic Ties

US-Israel Economic Ties



- **US is Israel's largest trading partner.** Since signing a FTA in 1985, trade between the **US and Israel** is up 538%, making **Israel** the **US's 23th largest trading partner**. The Israeli market is highly receptive to U.S. products and services;
- Israel is the 2nd largest US export market in the Middle East
- Israel imported US\$70.2 billion worth of goods from around the globe in 2020, up by 6.6% since 2016 but down by -8.3% from 2019 to 2020.
- U.S. **exports** of goods to Israel totaled \$10.19 billion in 2020 and U.S. **imports** of Israeli goods totaled \$15.28 billion.
- U.S. exports of services to Israel were an estimated \$5.36 billion in 2020
- In 2018, Foreign Direct Investment (FDI) in the U.S. by Israel totaled \$38.5 billion, and U.S. FDI in Israel totaled \$27.1 billion.
- 3 joint U.S.-Israel R&D foundations have been established: The Binational Industrial Research and Development Foundation (BIRD); the Binational Science Foundation (BSF); and the Binational Agricultural Research and Development Foundation (BARD). Since its inception in 1977, the BIRD Foundation has granted \$282 million to 813 projects, which have directly and indirectly generated \$8 billion in sales.

US-Israel Economic Ties



- In 2009, “**BIRD Energy**” was established after the US-Israel Energy Cooperation Program was authorized by Congress in the Energy Independence and Security Act of 2007. BIRD Energy was created to promote **bilateral cooperation in clean renewable energy technologies**.
- US firms have been a big part of the Startup Nation story, with US companies establishing **two-thirds** of the more than **300 foreign-invested R&D centers** in Israel.
- Israeli firms represent the 2nd-largest source of foreign listings on the **NASDAQ** after China – and more than Indian, Japanese, and South Korean firms combined.
- **Multi sector collaboration** - The U.S.-Israeli economic and commercial relationship now spans IT, bio-tech, life sciences, health care solutions, energy, pharmaceuticals, food and beverage, defense industries, cyber-security, and aviation, to name just a few sectors.
- **Critical components** of leading American **high-tech products** are **invented** and **designed** in Israel, making these American companies more competitive and more profitable globally. Cisco, Intel, Motorola, Applied Materials, and HP are just a few examples.
- Israel is **home** to more than **2,500 US firms employing** some **72,000 Israelis**, according to an estimate by the U.S. Chamber of Commerce. Thousands more jobs are supported indirectly by these employers.

Top Export Opportunities to Israel



2020 top 10 Israel imports (\$70.2 billion worth of merchandise):

- Machinery including computers: US\$9.4 billion (13.3% of total imports)
- Electrical machinery, equipment: \$8.5 billion (12.1%)
- Vehicles: \$5.8 billion (8.3%)
- Mineral fuels including oil: \$5.6 billion (7.9%)
- Gems, precious metals: \$4.4 billion (6.2%)
- Pharmaceuticals: \$3.3 billion (4.7%)
- Optical, technical, medical apparatus: \$2.9 billion (4.1%)
- Plastics, plastic articles: \$2.6 billion (3.8%)
- Iron, steel: \$1.5 billion (2.2%)
- Organic chemicals: \$1.4 billion (2%)

2019 top 5 US exports to Israel (19% of Israel's total imports of merchandise):

- Miscellaneous manufactured commodities (30.7%);
- Transportation equipment (24.1%);
- Computer & electronic products (10.3%);
- Chemicals (7.1%);
- Machinery, except electrical (6.5%).

Sector Opportunities

Key Export Opportunities for US Companies



Healthcare Technologies



Automotive Aftermarket Parts & Equipment



Intelligent Transportation Systems



Electronic Components



Professional & Educational Services



Homeland Security



Telecommunications



Energy



Healthcare Technologies



- Israel's healthcare technologies market is estimated at \$5.8 billion, of which **devices** account for **\$2 billion** and **pharma \$3.8 billion**.
- **Imports** make up **over 65%** of the **device market** and about **43%** of the **pharma market**.
- Top medical device imports are **surgical instruments** and other **medical electronics**, **lab reagents**, **diagnostic equipment** and **catheters**. Top pharma imports include **medicaments** in measured doses for retail sale, **antisera** and **blood fractions** and **immunology products**.
- The US is Israel's largest **single-country source of medical devices** and **fourth largest source of pharmaceuticals**
- Israel's **public healthcare** system is **well-advanced** by international standards. Israeli healthcare facilities are modern and are **open to adopt new, cost effective** technologies and procedures.
- Many Israeli doctors receive **training in the US** and maintain personal and professional **relationships** with US colleagues at **major medical centers**.
- Israel's healthcare policy makers have been focusing on promoting **healthy nutrition** and **lifestyle, preventive medicine** and **screening**.



Professional & Educational Services



- US exports of services to Israel were an estimated \$6.1 billion in 2018.
- Israel is the 2nd most educated country in the world, suggesting it is home to prospective international students of the highest quality.
- Israel has the 2nd highest number of GMAT takers per capita of any country in the world and provides the seventh largest number of takers of any country in the world, ahead of France and Germany.
- Best prospects for US educational institutions are to offer a degree integrated with practical work experience.
- The 2020 Ranking of International Law Firms with an Israel Desk showed there are over 110 law firms, including some of the largest firms in the world, with an Israel Desk – an increase of almost 10% from 2019.
- 60% of the international firms with an Israel Desk are American. Of the 110 firms, approximately 20 firms have a physical presence in Israel.
- Firms with “on-the-ground” presence in Israel are at the top of the ranking tables. 9 of the top firms leading M&A table were involved in 71 out of 94 transactions in 2019.
- In the field of labor law, 3 of the top 5 firms are located in Israel and together handled approximately 50% of the cases.
- In litigation, the top 5 ranking firms located in Israel or with representatives in Israel, handled approximately 50% of the cases (68 cases out of 139).

Energy



Electricity Infrastructure:

- In June 2018, the Government approved a comprehensive structural reform in the Israeli electricity sector. IEC's share in electricity generation will be reduced from 60% to 40%. IEC will retain a monopoly in the transmission and distribution segments, which require significant upgrading. It will work to develop a smart and modern grid that will improve the quality of electricity supply.
- The IEC reform presents **significant opportunities for US manufacturers** of relevant equipment (for **substations, switching stations, power lines, transformers, electronic meters**, and more), as well as for US **IPP's** to purchase and operate power generation sites that are being sold by IEC.

Natural Gas:

- Israel plans to use its abundant gas resources to leverage the development of a gas-based auxiliary industrial sector. Coupled with the recent reform in the Israeli electricity market, this presents opportunities for IPP's to purchase and operate gas-based electricity generation plants.
- The Ministry of Energy is issuing licenses for small scale, gas-based generation sites for industrial plants, which presents opportunities for US manufacturers of relevant gas turbines and engines.
- The Israeli government issued in 2019 a request for information for onshore natural gas reservoirs and storage technologies, which may develop into a procurement opportunity for suppliers of relevant equipment, technology and services.
- US-Israeli joint R&D and cooperation in the renewable energy sector is growing with the new BIRD Energy program.

Electronic Components



- Israel is always looking for innovative technologies and components to enhance product technical features.
- Developments in the Israeli telecom, defense and homeland security markets have had a positive effect on the increased demand for electronic components.
- Israel offers opportunities for US exporters of active components, RF & microwave, power amplifiers and semiconductors.
- There are a large number of Israeli companies that represent US firms in this sector, always looking for new-to-market US companies with good service and competitive prices that they can represent.

Automotive & Aftermarket Parts



- The automotive industry in Israel is solely dependent on imports, given that the country has no local manufacturing base of its own.
- US market share remains flat at 2.6%.
- Opportunities include: Car security and anti-theft devices: anti-theft electronic systems, locking devices.
- Vehicle accessories: car care products, polish, wax, upholstery spray water-coolants (Glycol) for radiators.
- Electronic accessories: TV screens for the rear seats, GPS systems, sound systems etc.

Smart Mobility/Intelligent transportation systems



- Smart Mobility technology is on the rise and is estimated to reach profits of about \$51.7 billion globally within the next twenty years. Israel is at the forefront of developing innovative technology for this industry.
- There are over 600 companies in Israel dedicated to the creation and sustainment of smart mobility technology.
- Millions of people across the globe already use some of these technologies such as popular apps like Moovit and Waze, which have become household names and in everyday use.
- Opportunities to Open R&D centers in Israel. - GM
- Companies with technologies such as: Transportation management systems, computer vision, control of sound systems, gesture recognition, cyber security, location-based services, big data and more- solutions making driving experience smarter, faster, and cities safer and more energy efficient.



Telecommunications



- In 2019, the Ministry of Communication announced a plan to develop a 5G wireless network. The first phase was completed in early 2020. Due to ongoing financial challenges in this industry, several local companies have formed strategic partnerships for this initiative.
- The development of 5G creates an opportunity for US companies to supply the 5G ecosystem, starting with components to integrate with the 5G infrastructure, including, but not limited to **mobile chipsets, modems, data center equipment, routers, fiber connectivity, IoT devices** and more.
- Additional opportunities are expected to arise once the 5G network is established, in areas such as **smart cities, transportation, digital hospitals, and industry production and manufacturing.**
- Issues such as network management, providing support for new applications and creating innovative ways to better monetize subscribers and decrease operating expenses are becoming critically important. These challenges provide substantial opportunities for US companies interested in expanding in Israel's thriving telecom sector.

Homeland Security & Defense



- The government invests a lot of funding to develop solutions for defense-oriented equipment and capabilities. This is one of Israel's highest growth industries.
- US security equipment is often used for sensitive applications, by high-security industries and for key infrastructures and installations.
- The market offers good opportunities for U.S. exporters of high quality and sophisticated detection and screening systems, CCTV, sensors, biometric solutions, x-ray systems, non-lethal weapons, etc.
- Many of the homeland security systems are sold to the Israel Ministry of Defense. These procurements are often made with Foreign Military Funding (FMF) or Foreign Military Sales (FMS), giving an advantage to US manufacturers. \$2.25 billion out of \$3 billion in annual US aid to Israel comes back via Israeli purchases of US military equipment.



Business Considerations

Market Approach for US Firms



- Local agent / distributor
 - regulatory
 - exclusivity
 - Find the right fit
- Set-up in market
 - pick a location/local partner
 - Industrial/hi-tech zones in Israeli periphery
 - essential for services / owner's rep for products
- Events & Exhibitions
 - sector Trade Shows
 - contacts & relationships
 - webinars



Partners selection process



- Due diligence is essential
- Visit premises and find out about their work, directors, shareholders and capabilities, who else they represent
- Exclusivity is common due to small market size
- A written contract with your chosen agent is essential - annual sales targets should be incorporated into representation contracts.
- Understand legal parameters
- Pricing - highly competitive market - price is a key factor driving purchasing decisions.



Overview on this Season's Israel Trade Shows & Exhibitions



*As of Oct. 24 2021

Trade Show	Status	Date
• Israel's AgriFood Summit	Virtual event	23– 25 October 2021
• MDI - Medical Devices Israel Expo 2021	Live event	9 November 2021
• IsraFood	Live event	16– 18 November 2021
• iHLS INNOTECH The International Conference and Exhibition	Live event	17 November 2021
• Smart Mobility Summit	Live event	8 – 9 November 2021
• Cybertech	Live event	25– 27 January 2022
• MiXii BioMed	Live event	10 – 12 May 2022
• IsraChem Expo	Live event	16 – 17 May 2022
• Watec	No set date	

Doing Business in Israel



- Israel's **business environment** is very **casual** and mainly follows western style conventions
- **Business dress** in both the public and private sectors is **much less formal** than other western markets, however, formal dress can be seen in meetings with government officials
- The official work week is **Sunday to Thursday**
- Meetings can be arranged on **fairly short notice**, and reconfirming appointments is advised, as most Israelis have **busy schedules**
- **Arrive on time** – but do not be surprised or frustrated if the meeting starts 10-15 minutes **late**.
- Israelis arrive well prepared for meetings and have a **direct communication style**



Doing Business in Israel



- Recommended to provide your hosts with an **agenda** outlining your objectives **in advance**
- **Business cards** exchange is **common** - provide your business card early on, and politely request one in return, if not offered and important
- **English** is widely spoken in the business community and in government offices, but knowing and using a few **Hebrew** words, especially introductory phrases and greetings, can be useful and **appreciated**
- Most high-tech companies conduct business **documentation/ correspondence in English**
- Move to a **first name basis** quickly - This helps establish a comfortable business atmosphere. However, use titles and surnames upon initial meeting



Doing Business in Israel



- **Be prepared to chat** - Israeli business people love to talk and want to know more about you. Start conducting business only after everyone has had a chance to get know each other
- **Expect to be interrupted.** Israelis do not see this as rude. Israelis speak in a straightforward way and sometimes answer questions that were asked of someone else. Please do not be offended by this speech pattern
- It is very **common** for Israelis to **answer cell phones** and take calls **during meetings**. Do not be surprised or offended as this is a part of the culture. In general, you will see people speaking on cell phones at all times and in all areas like public transit and in restaurants and this is very common.
- Business is **fast paced** and deals close quickly
- In Israel, almost **everything is negotiable**





Q&A

CHALLENGE.
CREATE.
COLLABORATE.

Contact Us



TEL AVIV

30 Shlomo Ibn Gabirol St.
Tel Aviv
6407807
Israel

Tel **+972 54 599 6160**



Elysa Rapoport

OCO Director – Israel

Mobile: +972 54 599 6160

Email: elysa.rapoport@ocoglobal.com

LinkedIn: [Elysa Rapoport](#)